

\_\_\_\_\_ BILL NO. \_\_\_\_\_

INTRODUCED BY \_\_\_\_\_  
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING SCHOOL DISTRICTS TO SPEND A MINIMUM AMOUNT OF OPERATING FUNDS ON DIRECT CLASSROOM EXPENDITURES; PROVIDING DEFINITIONS; PROVIDING FOR INCREMENTAL COMPLIANCE, WAIVERS, AND SANCTIONS; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Definitions.** As used in [sections 1 and 2], the following terms apply:

(1) (a) "Direct classroom expenditures" means all expenditures by a school district during a fiscal year for activities directly associated with the interaction between teachers and students, including but not limited to:

(i) salaries and benefits for teachers and paraprofessionals;

(ii) costs for instructional materials and supplies;

(iii) costs associated with classroom-related activities, such as field trips, physical education, music, and arts; and

(iv) tuition paid to out-of-state school districts and private institutions for special needs students.

(b) The term does not include costs for administration, for plant operations and maintenance, for food services, for transportation, for instructional support, including media centers, for teacher training, and for student support, such as nurses and guidance counselors.

(2) (a) "Total operating expenditures" means all operating expenditures by a school district during a fiscal year, including expenditures from federal, state, and local funds and from any other funds received by a school district, such as student activity fees.

(b) The term does not include capital outlay expenditures, debt or bond payments, interest on debt or bonds, facility leases, or rental payments or any costs that are incurred by a school district to comply with any mandate by statute or by the board of public education effective on or after January 1, 2007, to add specific nonclassroom staff positions.

**NEW SECTION. Section 2. Requirement for direct classroom expenditures -- rulemaking.** (1)

Beginning with fiscal year 2009, the following procedures must be followed:

(a) Each school district shall spend a minimum of 65% of its total operating expenditures on direct classroom expenditures, except as otherwise provided in this section.

(b) For any fiscal year in which a school district has direct classroom expenditures that are less than 65% of its total operating expenditures, the school district is required to increase its direct classroom expenditures by a minimum of 2% for each fiscal year as a percentage of total operating expenditures, beginning in each succeeding fiscal year, until it reaches 65%. For fiscal year 2009, the baseline year from which the required increase will be determined must be based on expenditure data from fiscal year 2008.

(c) A school district that has direct classroom expenditures that are less than 65% of its total operating expenditures and that is unable to meet the expenditure requirements in subsection (1)(b) may apply to the superintendent of public instruction for a 1-year renewable achievement waiver. The waiver request must include evidence that the school district is exceeding the state averages in academic categories designated by the board of public education. The evidence may include but is not limited to criterion-referenced competency tests, a plan for obtaining compliance with this section, and any other information required at the discretion of the superintendent of public instruction.

(d) A school district that has direct classroom expenditures that are less than 65% of its total operating expenditures and that is unable to meet the expenditure requirements in subsection (1)(b) may apply to the superintendent of public instruction for a 1-year renewable hardship waiver. Waivers granted pursuant to this subsection (1)(d) must be limited to unforeseen emergencies in which the situation is solely responsible for the school district's inability to meet the expenditure requirements. Unforeseen emergencies may include but are not limited to acts of God and inordinate unexpected increases in energy and fuel costs. The waiver request must include revenue and expenditure reports and specific details providing compelling evidence as to the impact that the intervening hardship situation had on the school district's ability to comply with expenditure requirements and any other information required at the discretion of the superintendent of public instruction.

(2) The superintendent of public instruction may impose sanctions against a school district that fails to comply with the provisions of this section or any rules adopted pursuant to subsection (4). Sanctions may include but are not limited to requiring the school district to develop and implement a plan to meet the expenditure requirements of this section in the subsequent fiscal year or withholding discretionary state funds.

(3) The superintendent of public instruction may require the submission of budget information and expenditure data from school districts for the purposes of verifying compliance with this section.

1 (4) The superintendent of public instruction may adopt rules to implement the provisions of this section.

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3 NEW SECTION. Section 3. Codification instruction. [Sections 1 and 2] are intended to be codified  
4 as an integral part of Title 20, chapter 9, part 1, and the provisions of Title 20, chapter 9, part 1, apply to [sections  
5 1 and 2].

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7 NEW SECTION. Section 4. Effective date. [This act] is effective July 1, 2007.

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